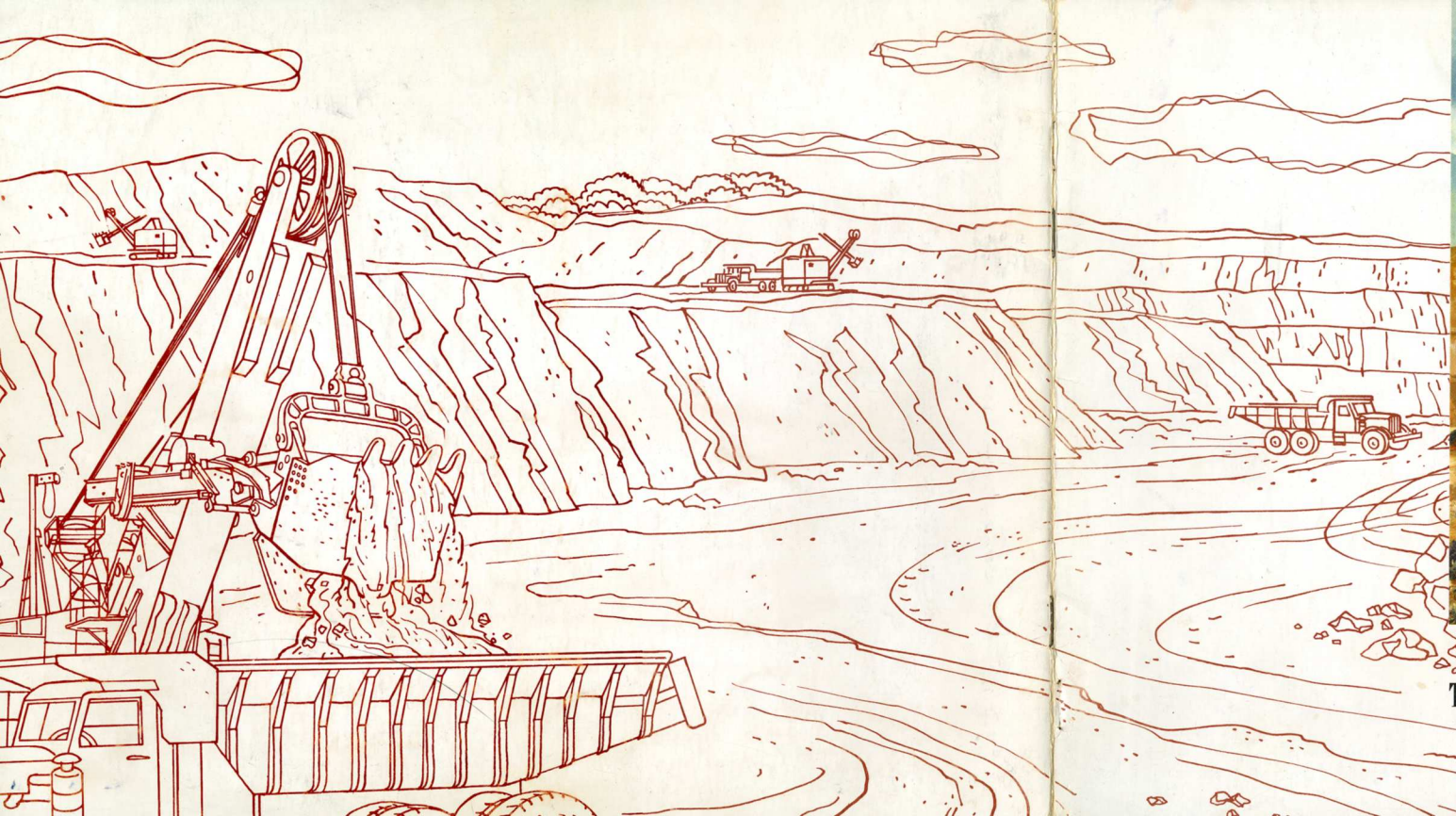
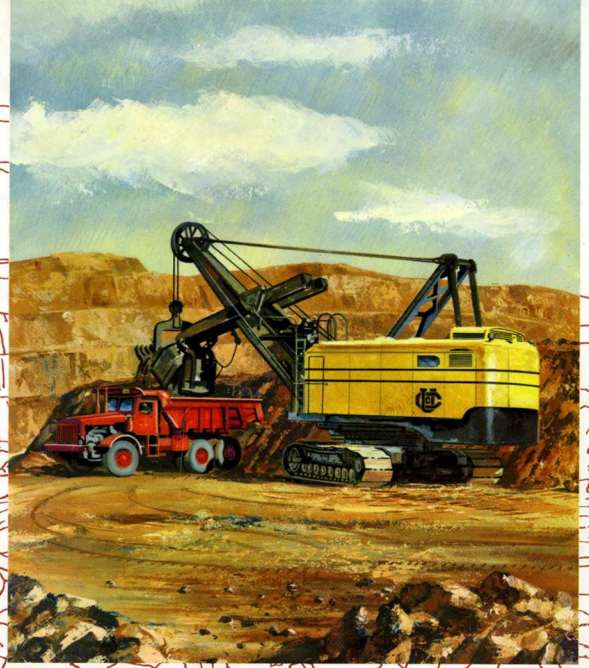
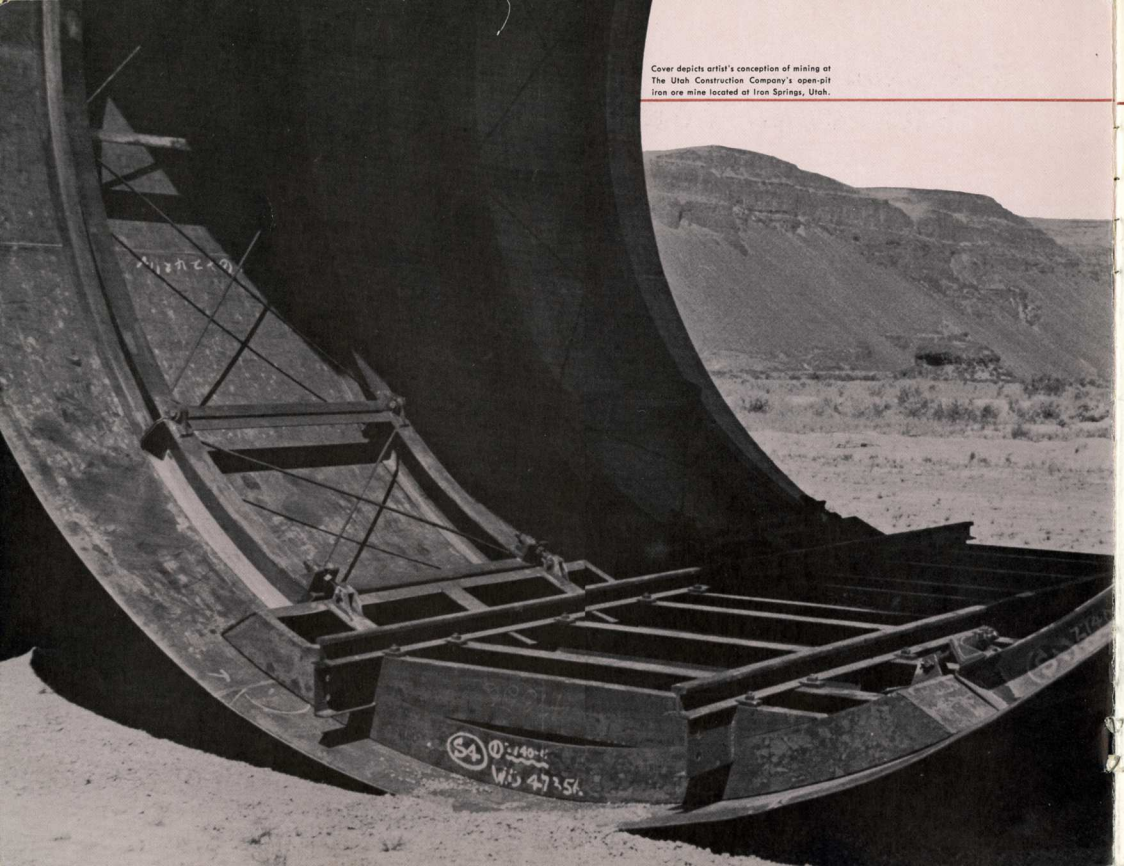




THE UTAH CONSTRUCTION COMPANY

annual report 1951



Cover depicts artist's conception of mining at The Utah Construction Company's open-pit iron ore mine located at Iron Springs, Utah.

To the stockholders of

THE UTAH CONSTRUCTION COMPANY

San Francisco, California
January 7, 1952

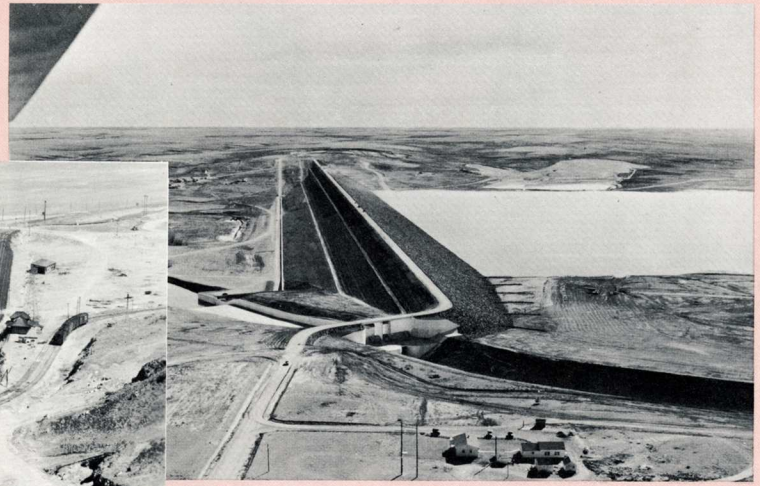
The fiscal year ending October 31, 1951 was a period of continued progress for The Utah Construction Company. Your company and its wholly owned Canadian subsidiary, The Argonaut Co. Ltd., earned a consolidated Net Profit of $2,947,061, or $16.79 per share. This is the highest annual earnings in the history of the Company and compares with $2,364,385 or $13.47 per share during the preceding year.

The improvement in Net Profits was attributable to the greater earnings provided by the mining activities of the company. Earnings from construction were above the levels realized in 1947, 1948, and 1949 but below the earnings of the preceding year. Stimulated by a high level of general business and given added impetus by the National Defense Program, the volume of heavy construction remained at an extremely high level. However, the wave of inflation following the outbreak of hostilities in Korea again caused the cost of labor and materials to rise sharply, adversely affecting earnings on construction work performed during the current year but contracted for in earlier periods.

Your management had recognized at the end of World War II that inflation would be the inevitable result of the fiscal and monetary policies being pursued by the Federal Government. To offset the detrimental effects of inflation upon our general contracting business, the company adopted a policy of devoting a part of its resources to the acquisition of basic raw materials, the ownership of which would serve as source of profit as well as a hedge against inflation. To this end we acquired in 1946 iron ore deposits near Cedar City, Utah. In 1948 we acquired coal deposits near Ozark, Arkansas. This year through our wholly owned subsidiary, The Argonaut Co. Ltd., we opened up an iron ore deposit on Vancouver Island, Canada.

The wisdom of this policy was abundantly proved by the results of the past year. The demands for iron ore and for coal were greatly stimulated by the Defense Program. Prices and profits margins increased in response to inflationary pressures. Mining profits were granted special tax treatment both in the United States and Canada in order to encourage production of a wasting asset in the face of extremely high Income and Excess Profits Taxes. These factors caused our mining profits to increase 208 percent over the preceding year and permitted the company to increase its net profits by $582,676. This increase could not have been duplicated in our construction activities because the Excess Profits Tax would have taxed away virtually all earnings above the present level in this end of our business.

The Company's financial condition continues to be satisfactory. Retained earnings were not adequate to finance our expanded activities and it was necessary to increase our borrowing during the year. As of October 31, 1951, our Long-Term Liabilities were $4,826,663, an increase of $1,880,001 during the year. Working capital at the close of the year was $5,995,584, compared to $4,203,690 a year earlier. During the year the company paid cash dividends of $1.64 a share, plus 1 share of the common stock of Monterey Trading Corporation, 1 share of stock of Utah Construction Limited and 1/20 share of stock of Permanente Cement



On the south fork of the Republican River, close to the Colorado-Kansas line, The Utah Construction Company, as sponsor and major participant in a joint venture, built the rolled earthfill Bonny Dam for the United States Bureau of Reclamation. The contract, which was for approximately ten million dollars, was completed one full season ahead of schedule. It was marked by records for speed of placement of earthfill on Bureau of Reclamation dams, which for several months exceeded one million cubic yards of embankment per month.

Electrolytic copper refinery built for Kennecott Copper Company at Garfield, Utah. A plant costing about $17,000,000 with facilities to provide western United States with a large scale production of refined copper. Construction was started in 1948 and completed late in 1950.

Heavy excavating units moving shale and sandstone overburden from a thin vein of coal near Ozark, Arkansas. The coal, which is low volatile and low sulphur in character, is shipped to the Colorado Fuel & Iron Corporation at Pueblo, Colorado, for conversion into metallurgical coke. It is also in demand as a domestic coal in the St. Louis market for its smokeless burning properties.

Company for each share of The Utah Construction Company held. The company's net worth, consolidated with that of The Argonaut Co. Ltd., was $14,848,570 as of October 31, 1951, an increase of $2,885,577 during the fiscal year. The book value per share increased from $68.16 to $84.60.

Your company has continued to diversify its construction activities, both by entering into different types of construction and by working in geographical areas outside of the United States. We have continued our interest in all types of heavy construction, a field in which the company has excelled since its inception. To this we have added organizations capable of the same caliber of performance in the fields of industrial construction, housing, and building construction. The management feels that the company is now well qualified to undertake virtually all types of work anywhere in the world.

During the year two significant changes were made in executive positions. In January Mr. Allen D. Christensen was elevated to the position of Executive Vice President and General Manager. In assuming the burden of General Manager, he takes over the important duties that Mr. Lester S. Corey has discharged with distinction since 1931.

In March Mr. Edmund W. Littlefield was elected Financial Vice President and Treasurer. Mr. W. H. Harris retired as Vice President and Treasurer but continues to serve the company as Secretary and Director. Mr. H. N. Stronck resigned as Vice President, Assistant Treasurer, and Assistant Secretary.

During the year we also formed an Executive Committee for the purpose of creating a closer liaison between the Board of Directors and the operating management. The Board of Directors holds regular two-day meetings quarterly. It will be assisted in its work by the Executive Committee, which meets monthly. Members of the Executive Committee are Marriner S. Eccles, Chairman; Lester S. Corey; Allen D. Christensen; and Edmund W. Littlefield.

The prospects for the coming year appear bright for the company. The company is favored with a substantial backlog of uncompleted construction contracts that assure a substantial work volume during the greater part of the coming year. For our mines we have in hand orders for considerable tonnage of ores that should assist in maintaining mining profits. If inflation can be controlled and general business continued at existing levels, the company's earnings before Federal taxes should remain at satisfactory levels. The increase in both the Federal Income and Excess Profits Taxes will present a serious obstacle to improving our Net Profits, for these higher rates will be applicable for the full year instead of only to 6 months operations as was the case in our 1951 fiscal year.

The results obtained by the company would not have been possible without the confidence placed in us by the many clients that we served during the year. We take particular pride in the fact that

among these clients are found many excellent companies that have favored us with their business for many years. It is our paramount objective to continue to merit their confidence by giving full value on every occasion.

Nor would we have enjoyed so satisfactory a record without the loyal and skillful support of those employees who devote their full working energies to furtherance of the company's affairs. On behalf of the stockholders and the Board of Directors we take this means to express our gratitude to the employees for a job well done.

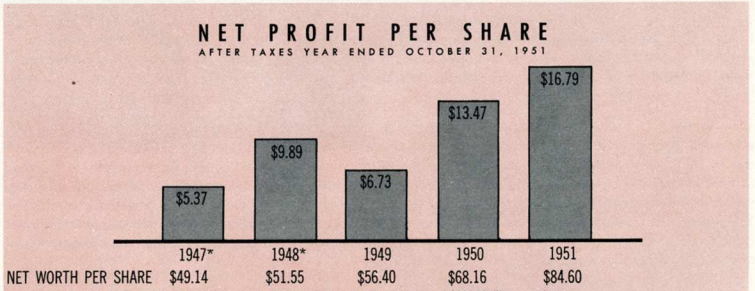
Respectfully submitted,

Marriner S. Eccles

MARRINER S. ECCLES,
Chairman of The Board

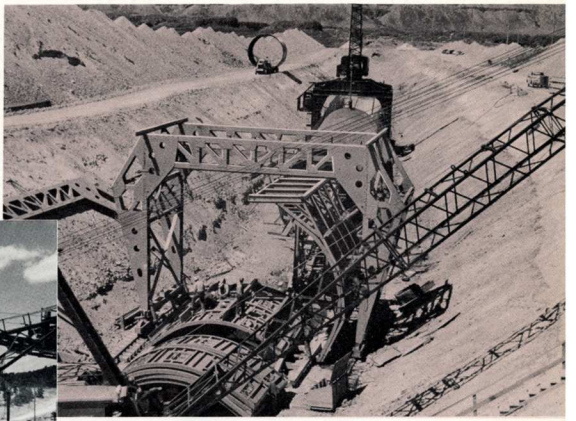
L. S. Corey

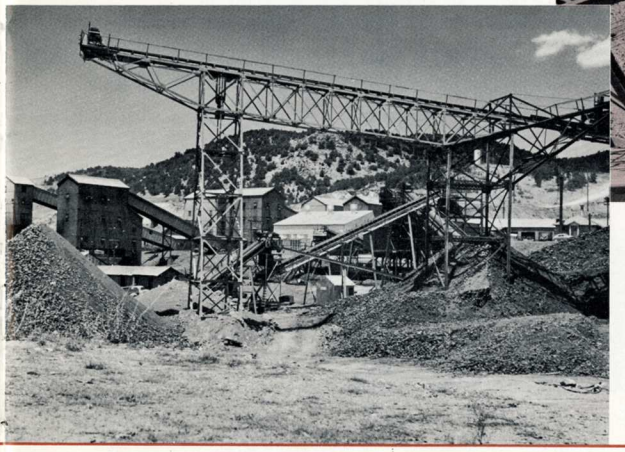
L. S. COREY
President



*In these years the shares of capital stock had a par value of $100.00. The par value was changed to $10.00 during 1949. All amounts in this chart are based on this reduced par value.

Soap Lake Siphon, in northern Grant County, Washington, was built for the U. S. Bureau of Reclamation, as a part of the West Canal System of the Columbia Basin Project. It is about fifteen thousand feet in length. The two end portions are of heavily reinforced concrete, twenty-five feet in diameter. The center section, where the static head is over 200 feet, is made of a steel liner twenty-two feet four inches in diameter, with an outer massive shell of concrete reinforced with two strings of the largest reinforcing bars made. The contract was a joint venture with Winston Bros. Company and was completed in 1951.





For the past eight years Colorado Fuel and Iron Corporation has employed The Utah Construction Company to mine and process ore from its iron ore deposits at Iron Mountain, Utah. This ore is shipped by Union Pacific and Rio Grande Western Railroads to Minnequa, near Pueblo, Colorado, where it is combined with the Corporation's ores from other sources.

Nature of the Company's Business

The Utah Construction Company engages in two major types of business:

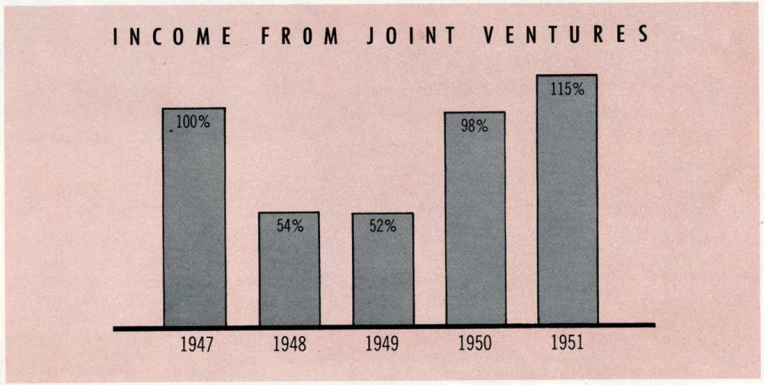
Construction work of all types.

Open-pit mining of coal and iron ore.

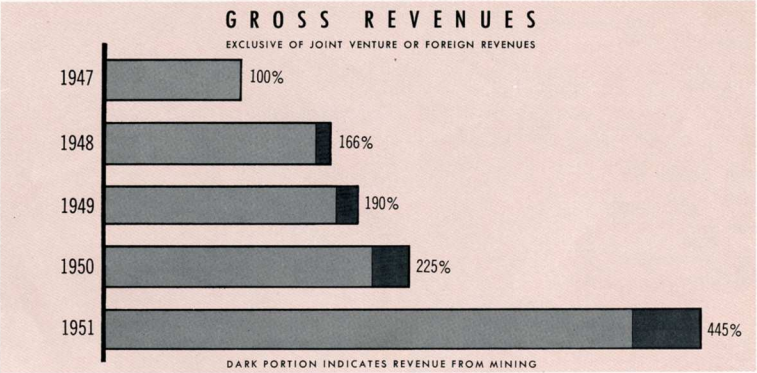
The construction work may be performed by our company alone or in association with other contractors through joint venture agreements.

Of our domestic gross revenues, exclusive of any share of joint venture revenues, mining accounted for approximately 12% during 1951. This compares with 12½% during the preceding year.

Our income from joint ventures during 1951 was 17% greater than in 1950 and was the highest amount received in the last five years.



The company's gross revenues, exclusive of any share of joint venture or foreign revenues, continued to expand rapidly. These figures do not include any gross revenues attributable to work performed outside the United States by our foreign subsidiaries and affiliated companies, which are working in Canada, Mexico, South America, and Australia.



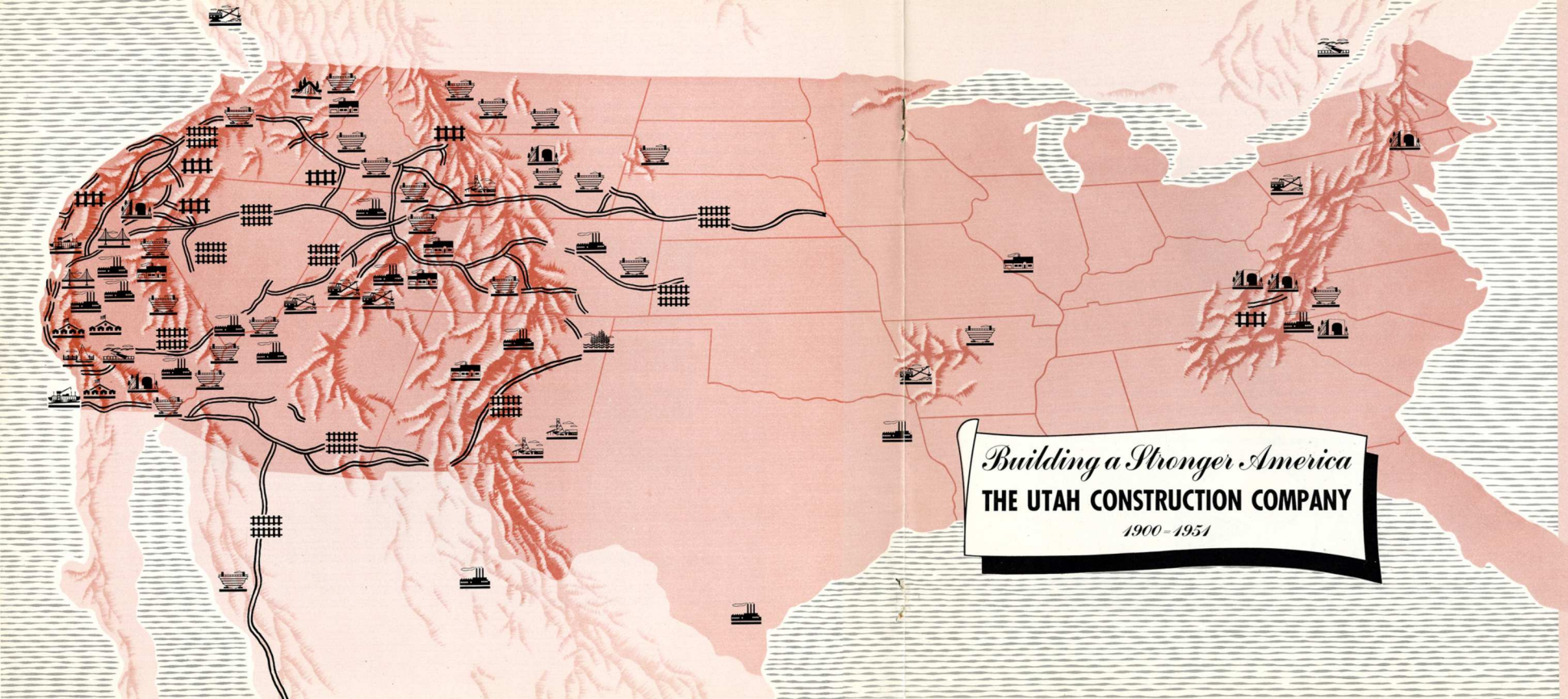
Four factors are chiefly responsible for this growth in gross revenues.

A high level of both public and private construction activity throughout the United States.

The increased success of our company in obtaining a larger share of the business available.

The growth of our mining business.

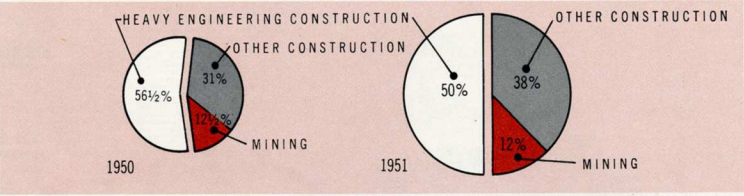
The higher prices for construction caused by the increased costs of performing work and the declining value of the dollar.



From 1900 to 1951 The Utah Construction Company has played a significant role in building a stronger America

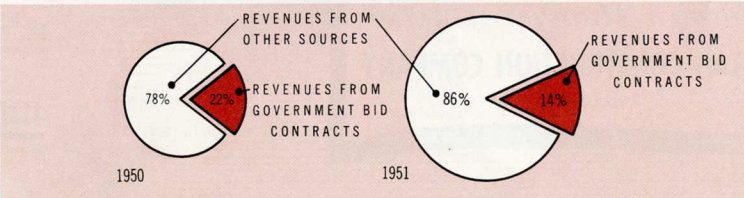
- HOUSING
- IRRIGATION PROJECT
- DAM
- MILITARY CAMP
- SHAFT
- BREAKWATER
- SIPHON
- FLOOD CHANNEL
- SHIPWAY
- INDUSTRIAL PLANT
- TUNNEL
- STRIP MINE
- BRIDGE
- SINGLE TRACK R. R.
- R. R. RECONSTRUCTION, DOUBLE TRACKING OR REHABILITATION

Actually only one of the foregoing factors is within the control of management. The company was able to expand its share of the available construction business because it served an expanding list of clients and because it broadened its field to engage in more varied types of construction. While the company continued to expand its heavy engineering construction volume, the volume available from other types of construction was expanded at an even more rapid rate.



This same trend is present in our joint ventures, where our company in partnership with other companies is performing a substantial volume of work for the construction of mass housing and industrial plant construction.

Governmental bid contracts contributed a smaller percentage of our gross revenues than in the preceding year. Our profit experience on this class of work continued to be unsatisfactory, a condition that has prevailed on this type of work for the past several years. Many of the public work contracts involve a relatively longer period of construction than do private contracts. Also the Government is less inclined to the use of escalator clauses as a protective measure to the contractor for cost increases beyond his control. The Governmental bid contracts are more vulnerable to the adverse effects of uncontrolled inflation on profits.



We are especially pleased to have had the privilege of serving these clients whose names appear below. Without their confidence our business could not continue to grow and to prosper. We shall always strive to serve them to their utmost satisfaction.

American Foundry and Machine Co.
American Smelting & Refining Company
American Steel and Wire Company
Anaconda Copper Mining Company
Atlas Powder Company
Automatic Sprinkler Corporation of America

Balfour, Guthrie & Company
Bampo Trading Co., Ltd.
Bechtel Corporation
Bingham Gas & Oil Company
Bonneville, Ltd.
Boyles Bros. Drilling Company

Calera Mining Company
Carnegie-Illinois Steel Corporation
Cate Equipment Company
Chemical Construction Corporation
Colorado Fuel and Iron Corporation
Columbia Iron Mining Company
Compagnie Caledonienne des Metaux, S.A.
Compania Metalurgica del Norte, S.A.
Commercial Shearing & Stamping Company

Daly Acres, Inc.
Denver and Rio Grande Western Railroad Company
Duval Sulphur & Potash Company

Fibreboard Products, Inc.
Fuji Iron & Steel Co., Ltd.

Howard P. Foley Company

Garfield Improvement Corporation
Geneva Steel Company
Gibbons and Reed Company

Idaho Portland Cement Company
Ideal Cement Company
Inland Steel Company
International Minerals & Chemical Corporation
Iwai & Company, Ltd.

Johns-Manville Corporation

Kaiser Steel Corporation
Kennecott Copper Corporation
Kirtland Heights, Inc.
Kishimoto Shotem Co., Ltd.
Kokura Steel Manufacturing Co., Ltd.

Latter-Day Saints Church
Latter-Day Saints Hospital
Lewis Acres, Inc.

Marunouchi Trading Co., Ltd.
Mission Apartments, Inc.

National Tube Company
Nippon Steel Tube Co., Ltd.
North Mather Heights, Inc.

Oregon Portland Cement Company

Pabco Products, Inc.
Pacific Gas & Electric Company

Republic of Colombia, South America
Ridpath Hotel

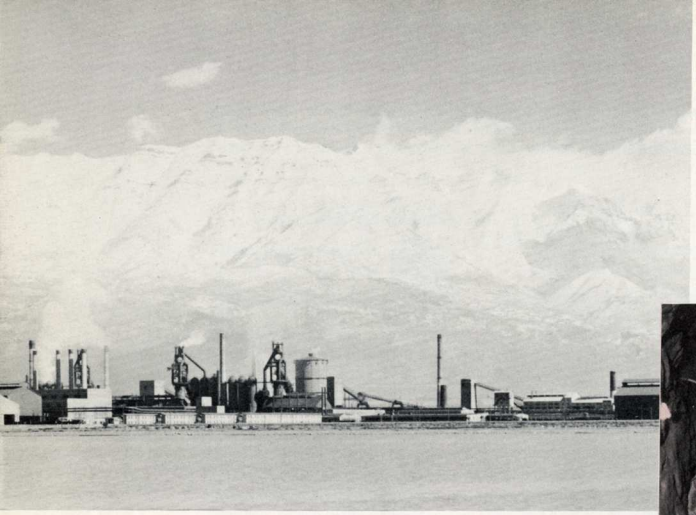
Salt Lake Refining Company
Sandia Heights, Inc.
Santa Fe Land Improvement Company (Subsidiary of Atchison, Topeka & Santa Fe Railway Co.)
Shell Chemical Corporation
State Rivers & Water Supply Commission, Australia

Union Pacific Railroad Company
Union Oil Company of California
United States of America
Atomic Energy Commission
Bureau of Mines
Bureau of Reclamation
Corps of Engineers, U. S. Army
War Department
United States Steel Company
United States Smelting, Refining and Mining Company
University Club of Spokane

Vitro Chemical Company
Vitro Corporation of America

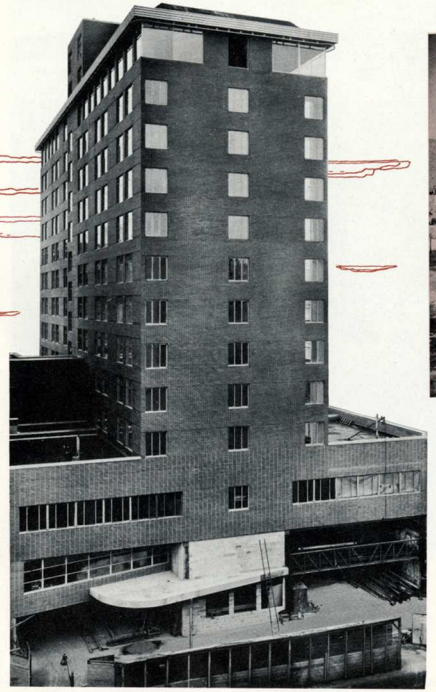
J. B. and R. E. Walker, Inc.
Wooldridge Manufacturing Company

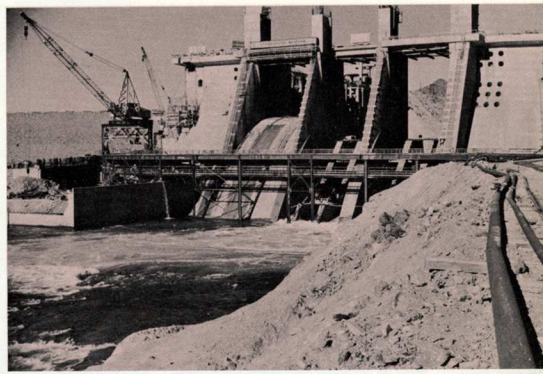
Yawata Iron & Steel Co., Ltd.



Geneva Steel Company's integrated steel plant near Provo, Utah. This plant was originally built by a joint venture called Utah-Pomeroy-Morrison during World War II under a contract from Columbia Steel Company, acting for the Defense Plant Corporation. The plant is now owned by Geneva Steel Company and secures a part of its ore requirements from The Utah Construction Company. Our Company also has a contract for maintenance work at the plant.

Mucking machine loading cars in diversion tunnel of Lower Bear River Dam, a rockfill dam under construction for Pacific Gas & Electric Company, about forty-five miles northeast of Jackson, California.

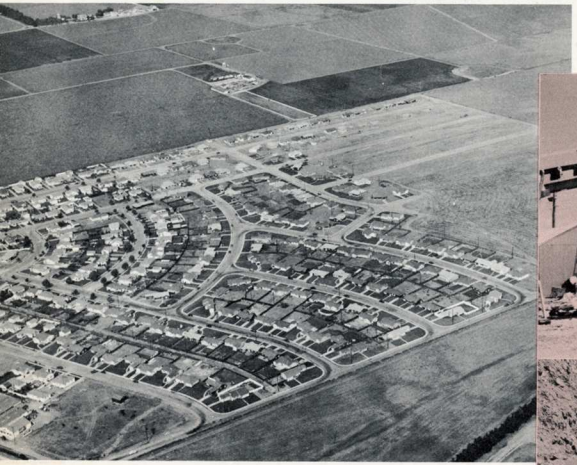




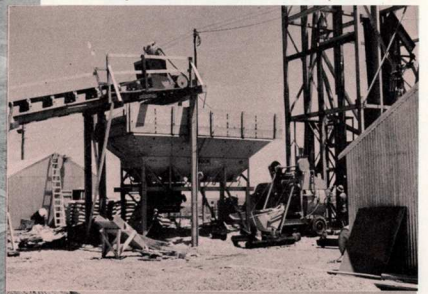
Davis Dam spillway, with intake structure and base of powerhouse at left. This is an earth and rockfill dam, about 138 feet high above stream bed; with a spillway and power outlet channel through a 200 foot rock cut at the left side of the dam. The powerhouse will have five 60,000 horsepower turbines and generate 225,000 kva of electric power. Located on Colorado River approximately seventy miles downstream from the Hoover Dam.

50

The Ridpath Hotel, a thirteen-story structure in Spokane, Washington, with the University Club located on the top floor. Construction was commenced in 1950. This hotel will be opened in February 1952 and will be the most modern in the Inland Empire.



Santa Lucia Village, a development of 247 homes on the northeast outskirts of Salinas, California. Built by d joint venture for the Goheen Travis Company.

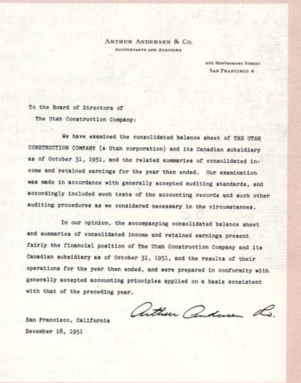


Collar with operating portions of headframe and concrete plant at shaft No. 3 for the International Minerals and Chemical Corporation, located approximately twenty-two miles northeast of Carlsbad, New Mexico.

Heavy highway construction on the mountain slopes of the Andes in the Republic of Colombia, South America, for the Ministry of Public Work. Part of the 300 mile Quindio road system radiating from Armenia.

Railroad and highway reconstruction along precipitous lava cliffs of Columbia River, above McNary Dam, built for the United States Corps of Army Engineers.

Ship coming in to load iron ore at Campbell River pier, Vancouver Island, British Columbia, for shipment to Japan. This iron ore mine was opened up in 1951 by The Argonaut Co. Ltd., a wholly owned subsidiary of the Utah Construction Company.



ARTHUR ANDERSEN & CO.
ACCOUNTANTS AND AUDITORS
400 MONTGOMERY STREET
SAN FRANCISCO 4

To the Board of Directors of
The Utah Construction Company:

We have examined the consolidated balance sheet of THE UTAH CONSTRUCTION COMPANY (a Utah corporation) and its Canadian subsidiary as of October 31, 1951, and the related summaries of consolidated income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and summaries of consolidated income and retained earnings present fairly the financial position of the Utah Construction Company and its Canadian subsidiary as of October 31, 1951, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

San Francisco, California
December 18, 1951

CERTIFIED FINANCIAL STATEMENT
of the Company

Assets

CURRENT ASSETS:		
Cash		$ 3,530,663
Receivables—		
Estimates	$ 4,192,193	
Retained percentages	1,219,755	
Other	1,206,154	6,618,102
Unbilled costs on work in progress		287,071
Inventories—		
Construction materials and supplies	$ 1,809,569	
Iron ore and coal, at cost or net realizable value	224,365	2,033,934
Total current assets		$12,469,770
OTHER ASSETS:		
Investment in joint ventures	$ 1,537,931	
Buildings and facilities on construction projects, less reserve for amortization of $1,150,277	313,191	
Land held for development and sale	124,583	
Prepaid expenses and miscellaneous	210,767	2,186,472
INVESTMENT IN OTHER COMPANIES, at cost:		
Capital stocks and note of non-controlled companies (proceeds of certain stocks pledged to secure bank loan)	$ 983,976	
Capital stocks and receivables of wholly-owned foreign subsidiaries, not consolidated	870,703	1,854,679

PROPERTY, PLANT AND EQUIPMENT:

Classification	*Cost*	*Reserves for Depreciation and Amortization*	*Net*	
Land	$ 33,800	$ —	$ 33,800	
Buildings, mining properties and development expenses	4,312,367	1,481,957	2,830,410	
Equipment	12,358,731	5,681,721	6,677,010	
Furniture and fixtures	163,605	66,327	97,278	
	$16,868,503	$ 7,230,005	$ 9,638,498	9,638,498
				$26,149,419

Liabilities

CURRENT LIABILITIES:		
Current installments of long-term bank loans, notes and contracts payable—due within one year		$ 727,365
Accounts payable—		
Trade	$ 1,417,437	
Other	344,057	1,761,494
Advances received on construction contracts		800,686
Accrued liabilities—		
Salaries and wages	$ 519,723	
General taxes and miscellaneous	600,526	
Current portion of Federal income taxes	2,064,392	3,184,641
Total current liabilities		$ 6,474,186
LONG-TERM LIABILITIES:		
Bank loans—		
Secured by proceeds of stocks of certain non-controlled companies—due December 31, 1952, 4%	$ 550,000	
Unsecured—		
Due December 31, 1952, 4%	2,500,000	
Due in installments from November, 1952, to November, 1954, 3½% and 4%	1,334,941	
	$ 4,384,941	
Non-current installments of notes and contracts payable for coal lands	189,365	
Non-current portion of accrued Federal incomes taxes (applicable to recorded income from joint ventures not taxable until subsequent years)	252,357	4,826,663
CAPITAL STOCK AND RETAINED EARNINGS:		
Capital stock, par value $10 per share—		
Authorized—175,510 shares		
Issued and outstanding—175,507.5 shares	$ 1,755,075	
Retained earnings ($7,244,925 restricted under bank loan agreement)—per accompanying summary	13,093,495	14,848,570
		$26.149.419

SUMMARIES OF CONSOLIDATED INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED OCTOBER 31, 1951

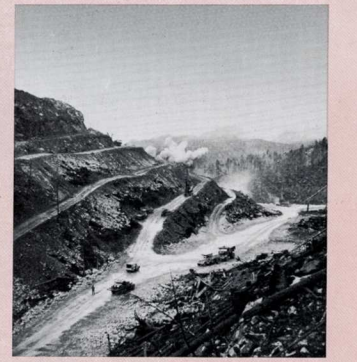
Summary of consolidated income

INCOME:		
Gross profit from construction and mining operations		$ 4,998,299
Dividends received		286,978
Cash discounts and miscellaneous		142,881
		$ 5,428,158
EXPENSES:		
General and administrative expenses	$930,953	
Interest	150,144	1,081,097
Net income before provision for Federal income taxes		$ 4,347,061
PROVISION FOR FEDERAL INCOME TAXES (including $50,000 for excess profits tax)		1,400,000
Net income for the year		$ 2,947,061

Summary of consolidated retained earnings

BALANCE, OCTOBER 31, 1950		$10,207,919
ADD:		
Net income for the year—per above summary		2,947,061
Transfer of unused balance of reserve for contingencies (after deducting $199,404 representing net assessments of prior years' Federal income taxes and interest)		300,596
		$13,455,576
DEDUCT:		
Dividends on capital stock—		
Cash	$289,240	
Securities at cost (market value $202,625)	72,841	362,081
BALANCE, OCTOBER 31, 1951:		
Restricted under bank loan agreement		$ 7,244,925
Unrestricted		5,848,570
		$13,093,495

NOTE: No provision has been made in the above summaries for income taxes which may be payable on future distributions from retained earnings of the consolidated Canadian subsidiary.



A blast set off in iron ore at the Iron Hill Mine which is being operated under lease by The Argonaut Co. Ltd. The mine is situated in a wild semi-timbered region in the vicinity of Campbell River, Vancouver Island, British Columbia. A crushing plant and magnetic separation plant have been built at the mine site, and the ore is processed before being hauled to the dock at Campbell River for shipment by boat.

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Cover depicts artist's conception of mining at The Utah Construction Company's open-pit iron ore mine located at Iron Springs, Utah.